

VENDOR OPERATING PROCEDURES MANUAL

SECTION X

FINANCIAL INFORMATION

10.1. Payroll Procedures

10.1.1. Processing Statements from Local Suppliers. Itemized bills or statements from local suppliers of services are to be provided to the Vending Facility Specialist for the processing of purchase requests and for the specialist's verification and approval.

10.1.2. Weekly Sales Report. The Weekly Sales Report reflects the sales and expenses of the vendor during the counting week (from the beginning of the day on Friday through the end of the day on Thursday). A Weekly Sales Report will be completed by the vendor after the close of business on each Thursday (see Weekly Sales Report instructions in Appendix A). Use of the Weekly Sales Report form is recommended but is optional. The following essential information, however, must be reported to the Bookkeeping Section in writing after the close of business on each Thursday.

(1) Total Supplies/Operating Expenses

(2) Total Purchase of Stock

(3) Total Weekly Deposit

(4) Total Weekly Sales

Reports containing the above listed information may be submitted in typed or legible written form with appropriate accompanying invoices. Since the vendor's commissions are calculated from this report, extreme care should be taken to ensure its accuracy. The Weekly Sales Report should be sent to DSB, P.O. Box 3237, Little Rock, AR 72203. The report should be accompanied by invoices for the purchase of stocks and supplies during the week covered by the report and the deposit which must be in the form of a money order, cashier's check, or personal check. Cash will not accompany the report. Cashier's checks or money orders are preferred. If more than one personal check must be returned or held because of insufficient funds in a six month period of time, personal checks will no longer be accepted from the vendor, unless the vendor can provide documented evidence that the returned check(s) was not the fault of the vendor. Invoices for purchases of stock and supplies

which are not accompanied by a completed Weekly Sales Report will not be accepted by the Bookkeeping Section, so long as the vendor has had adequate training in the procedure of completing the report.

If it is necessary to hire assistance in preparing the Weekly Sales Report, the necessary cost may be charged as an operating expense. Personal checks should be made payable to the Vending Facility Program. The cost of cashier's checks or money orders may be charged as a miscellaneous operating expense. Receipts for the cost of cashier's checks or money orders should be included with the following week's invoices. The report must reach the Vending Facility Program's Bookkeeping Section by 9:00 a.m. on the Wednesday following the Thursday of the week for which the report is applicable. A report arriving after 9:00 a.m. on Wednesday will be considered a late report. The Bookkeeping Section will notify the respective Vending Facility Program Specialist of any late reports after mail delivery on Wednesday morning. The specialist will then contact the affected vendor/vendors to notify them of late reports. Reports that are consistently late through the fault of the vendor will be cause for suspension or termination.

10.1.3. Operating Expenses. Items that are needed in the day-to-day operation of the facility but are neither equipment nor consumable supplies are to be paid for from the cash drawer and charged as operating expenses on the Weekly Sales Report. Itemized bills on these purchases will accompany the Weekly Sales Report. Examples of these items are: ashtrays, coffee pots, salt and pepper shakers, cream pitchers, napkin holders, brooms, mops, etc.

10.1.4. Period Report. The purpose of the Period Report is to provide the vendor with an itemized statement of all income and expenses during a four-week period (see instructions in Appendix A). This report is compiled from the four Weekly Sales Reports completed by the vendor during the period and from the Extra-Help Payroll Information forms completed by the specialist during the period.

10.1.5. Draw Payroll. Each vendor assigned to a facility is guaranteed a fair minimum return (draw). Currently, the draw is \$100 per week or \$20 per day if the vendor is not assigned to a facility for a full week. The \$100 draw per week will not be exceeded even if the facility is open for business more than five days per week. The Draw Payroll is prepared monthly and the vendor is paid a four week draw on commission two weeks prior to

commission. The vendor must inform the specialist of any changes concerning name, address, marital status, and insurance coverage. It is necessary that the vendor notify the specialist as soon as possible of a change concerning the preceding items enough in advance to permit the specialist to submit the change to the Bookkeeping Section before the next check is issued. When a new vendor is assigned to a facility, the vendor will receive the first draw check at the time the Draw Payroll is processed after the vendor received his assignment.

A vendor will remain on the Draw Payroll during holidays. A holiday is defined as a day when the establishment in which the facility is located is closed for the purpose of observing a holiday.

10.1.5.1. Lost Draw, Commission or Payroll Checks. If the vendor or their extra help has not received their check 7 days after mailing (Wednesday mailing to Wednesday of the following week), a stop payment will be made and the check reissued on Thursday.

10.1.6. Commissions. Commissions are the profits of a facility after the cost of goods sold, the cost of consumable supplies, operating expenses, set-aside contributions, and the fair minimum return (drawing account) have been subtracted from the gross sales. Commissions are paid to vendors in a lump sum check for a four-week period. The vendor will receive commission payments approximately two weeks after the close of the previous four-week period. The commissions are calculated from the Period Report (see Section 10.1.4.). There will be some situations in which the payment of the minimum guarantee for lower earning periods will be offset by commissions in other periods. In order to prevent serious fluctuations in the vendor's income, arrangements will be made on an individual basis to withhold a portion of commission payments to make up for payments made as fair minimum return. The objective will be to so space the withholding from commission payments as to balance out at the end of the fiscal year. Occasionally, situations may arise where excess payments have been made to a vendor during a fiscal year. Such overpayments will be recovered through prorated deductions from commissions during the next fiscal year. In those situations where the net earnings of the stand do not exceed the minimum guarantee, the deficit will be erased.

10.2. Inventory Gains or Losses

When a vendor leaves a facility whether by transfer or promotion, an inventory will be taken to determine its value. If the value of the inventory is greater than the value of the inventory when the vendor was assigned to the facility and there are no other losses to completely offset the gain in value, the amount of the increased value will be paid to the vendor as profit from the Special Programs Fund. If the value of the inventory when the vendor leaves the facility is less than the value of the inventory when he was assigned to it and if there is not an increase in cash-on-hand equal to the difference, the vendor must repay the loss in value to the Special Programs Fund. The loss may be repaid with unpaid commission, if any, by profits from the facility to which he is being transferred or promoted or by the combination of both methods.

When a vendor leaves the Vending Facility Program, an inventory will be taken to determine its value. If the value is greater than the value of the inventory when he was assigned to the facility, the amount of the increased value will be paid to the former vendor from the Special Programs Fund.

If the value of the inventory and cash-on-hand is less than the value of the inventory when the vendor was assigned to the facility, the amount of the deficit is due and payable by the vendor to the Special Programs Fund. Notification of the amount of repayment will be given to the vendor in writing by the Vending Facility Program.

10.2.1. Inventory Changes. When an inventory has been processed on a manager for any reason, the manager will receive a copy of the inventory and have 30 calendar days, after receipt, to resolve any questions regarding the validity and/or accuracy of the inventory. After the 30 calendar day period is over, the inventory can not be changed.

10.3. Federal, FICA, and State Income Tax Liability

For income tax purposes, licensed blind vendors are considered self-employed persons under Federal and State Income Tax laws and regulations. Effective January 1, 1988, the Vending Facility Program will not be responsible for withholding FICA, Federal and State Income Taxes from licensed blind vendors' draw and commission. It shall be the responsibility of the licensed blind vendor to comply with all applicable Federal and State Income Tax laws concerning personal income. Licensed blind vendors wishing specific information concerning Federal Income Tax and Social Security Taxes (FICA) should contact their nearest United States Internal Revenue Service office. Licensed blind vendors wishing specific information concerning State Income Tax regulations should contact the Arkansas Department of Finance and Administration Division of Revenue. Draw and commission checks will be sent to license blind vendors as per check mail out schedule and all such income will be taxable under Federal and State laws and regulations.

10.4. Insurance

Beginning November 1, 1989, vendors currently licensed and placed on location will qualify for fringe benefits coverage. A reimbursement of \$50.00 per month will be made for major medical or medical supplement insurance. This includes Medicare supplements but not Medicare or Medicaid policies. Monthly, quarterly or annual proof of coverage must be submitted. Quarterly payments will be issued and insurance changes must be reported to the office immediately.

Licensees will not receive this insurance benefit until they are assigned a location.

Vendors are required to provide proof of coverage in one of the following ways before the \$50.00 payments will be issued:

1. Have your insurance company send a letter to the Vending Facility Program office detailing your current coverage under a major medical or Medicare supplement insurance policy and that the Vending Facility Program office will be notified should this policy expire. This option will allow continuous payment of the fringe reimbursement check, or
2. Send a copy of the previous month's premium payment receipt or canceled check to the Vending Facility Program office using the previous month's statement for the current month's reimbursement. This option will provide payment for the time period shown on the receipt whether it be monthly, quarterly or annually.

The Vending Facility Program office will not make changes in any type of insurance coverage until they have received a written request to do so from the vendor. The Vending Facility Program office after receiving a written request shall acknowledge the requested change in writing.

10.4.1. Life Insurance. USABLE Life Insurance coverage is available to vendors assigned to facilities within the Vending Facility Program and their dependents. The vendor is responsible for part of the premium. The premium is payroll deductible from the vendor's draw checks.

10.4.1.A. Vendors in Displaced Status (Section 5.2.). Effective July 1, 1986, those vendors in displaced status shall be eligible to have their health insurance premiums paid partially from the set-aside fund the same as assigned vendors for a period not to exceed one year from the date of displacement.

10.4.2. Cancer Insurance. Cancer insurance is available to vendors and their families through the Vending Facility Program from an insurance provider if they qualify. Due to the many changes that take place in insurance from year to year, dependents are defined

in the policy handbook. For further information on dependents, contact the Vending Facility Program office. This premium is also deductible from the vendor's draw check. A claim form is provided with the policy. If additional claim forms are needed, the vendor should contact the Vending Facility Program office.

10.4.3. Liability Insurance. Vendors are required to carry liability insurance to protect the vendor, the facility, and the Vending Facility Program against property damage and claims filed by injured parties resulting from the operation of the vending facility. This policy is obtained by the Vending Facility Program and covers all legal costs, medical expenses, and personal and property damage subject to the following features:

1. One million dollars "all risk" and extends to product liability as well as premises.
2. This coverage includes liability, equipment and inventory and is on a "replacement cost" basis.
3. Full loss of earnings.
4. Money and securities, \$10,000. Inside and outside, \$2,000. Deductible \$250.00.

The cost of the insurance for each facility is based on the type of operation, location of facility and annual sales of facility. The annual cost for each facility will be prorated over the 13 periods per year and deducted from the facility's profits as an operating expense each period. At the end of each year, adjustments will be made based on any changes in the type of operation of the facility. The vendor shall notify their specialist at once should any claims or losses arise that are covered by the liability insurance.

10.4.4. Workers' Compensation Insurance

All vendors are required to carry Workers' Compensation Insurance. This insurance covers all full time, part-time, occasional or non-essential extra help employees.

The cost of this insurance will be prorated over the 13 periods per year and will be deducted from the facility profits as an operating expense.

10.4.4.1. Workers' Compensation Claims.

When the extra help person is injured on the job or entering or leaving the work premises, the licensed blind vendor shall immediately contact the Vending Facility Specialist to report the

accident and begin appropriate filing of Workers' Compensation claims. Under no circumstances should a vendor delay the filing or reporting of a job related accident. If a vendor is unable to contact the vendor's respective specialist, the Vending Facility Program office should be contacted and either the VFP accountant or the Vending Facility Program Administrator made aware of the accident. Failure to report a job related accident within a 24 hour period of time will be grounds for disciplinary action.

10.5. Retirement Contributions

The Vending Facility Program will contribute toward the development of individualized retirement packages for licensed blind vendors in the Arkansas Randolph-Sheppard Program. Funding for contributions will be provided by profits from the interstate highway vending machines. Vendors are considered as self-employed individuals and must buy their own retirement packages. Criteria is outlined below:

1. Eligibility. Participant must be a licensed blind vendor or displaced vendor in accordance with the Federal Randolph-Sheppard Act. Beginning with October 1, 2000, participants must have completed 1 year of seniority to receive contributions. Seniority will be calculated using October 1st of each successive year.
2. Proof of Eligibility. The vendor will have 30 calendar days from issuance of contributions to send in proof of use in a valid retirement package (e.g., IRA) to the Vending Facility Program. Proof must be provided each year. Failure to provide such proof will terminate the vendor's eligibility for retirement contributions and vendor must return the last contributions received from the Program that do not have proof of use in a valid retirement package. Should the vendor not return the last contributions, the amount of the contribution will be withheld from the vendor's draw and/or commission. Also, the vendor will be subject to disciplinary action in accordance with policy 5.5 of the Vendor Operating Procedures Manual.
3. Contributions. Contributions will be paid to eligible licensed vendors by or on October 15th each year. Contributions will start at \$200.00 for 1 year seniority and will be increased each additional year by \$25.00 (e.g., 2 years seniority equals \$225.00). Contributions will be shown as income on the vendor's 1099 for the year in which they were paid. After June 30th and before September 30th, the VFP Administrator and Accountant shall perform an annual review of the period between Period 1 (October 1) and Period 10 (June 30) of the current year and determine if sufficient funds have been collected to provide for an additional, one time percentage and/or bonus payment increase in the overall retirement contributions for disbursement to eligible managers. If funds are available, eligible managers will receive the increase on their retirement benefit when

disbursed. If funds are not available, no additional, one time percentage increase will be disbursed.

4. Exceptions. Exceptions will apply if the IRS does not allow contributions by the vendor due to age or other restrictions. In this case, 5.B will not apply. Contributions will be provided to the vendor in accordance with this policy.

5. Termination from Participation. The vendor is no longer eligible to participate in or receive retirement contributions when conditions exist as listed below:

A. Vendor is not licensed to operate a facility on the date when retirement contributions are issued including the date of issuance.

B. Vendor fails to provide proof of retirement package within 30 days after receiving the retirement contribution.

C. Retirement contributions will not be issued to beneficiaries or vendor estates.

D. Retirement contributions will not be prorated.